# IMPACT OF DEMONETIZATION ON E- BANKING SERVICES IN BIHAR

## - A CRITICAL STUDY

A
RESEARCH PROPOSAL
SUBMITTED TO THE
VEER KUNWAR SINGH UNIVERSITY
FOR THE DEGREE
OF
DOCTOR OF PHILOSOPHY
IN
FACULTY OF COMMERCE

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## INTRODUCTION

Demonetization is an act of stripping a currency unit of its status as legal tender. It is a radical monetary step in which currency units' status as a legal tender is declared invalid. This is usually done whenever there is a change of national currency replacing the old unit with a new one.

On November 8, 2016 Prime Minister, Shri Narendra Modi announced the government's decision to demonetize 500 rupees and 1000 currency notes, which made up for 86 percent of currency in circulation. Earlier only people who are having thorough knowledge about computers and electronic gadgets used to perform online mode. After demonetization the govt. is encouraging and sometimes making compulsion to perform online financial transactions. The elimination of corruption and eradication due to this demonetization, the consumer attitudes towards the usefulness and willingness to use e-banking where identified and measured. For this consumers are shifting to faceless, paperless and cashless transactions such as paytm, debit cards and credit cards. Online banking user is expected to perform transactions online such as checking account balance, transforming funds, etc.

Accessing all banking services through internet can be referred as online banking or internet banking which is popularly known as e-banking. It is a method of banking in which the customer conducts transactions electronically via the internet. It is carried with the help of computer system or mobile gadgets. The banking services can be available after browsing the bank websites if the users have connected with internet.

Over the last decade India has been one of the fastest user of information technology particularly because of its capability to provide software solution to organizations around the world. This capability has provided a tremendous performance to the domestic banking industry

in India to deploy the latest in technology particularly in the internet banking and e-commerce areas.

Facilitating faster payment services the payments eco-system in the country provides multiple options to different segments of users for fund transfer as well as for making payments in exchange of value for goods and services. The country needs to move away from cash based towards a cashless (electronic) payment system. This will help reduce currency management cost, track, and transactions, check tax avoidance/fraud etc., enhance financial inclusion and integrate the parallel economy with main stream.

E-banking is a result of explored possibility to use internet application in one of the various domains of commerce. It is difficult to infer whether the internet tool has been applied for convenience of bankers or for the customers` convenience. But ultimately in contributes increasing the efficiency of the banking operation as well providing more convenience to customers. Without even interacting with the bankers, customers transact from one corner of the country to another corner.

There are many advantages of online banking. It is convenient, it isn't bound by operational timings, there are no geographical barriers and the services can be offered at a minuscule cost. E-banking has experienced explosive growth and has transformed traditional practices in banking.

## LITERATURE REVIEW

- Dr. T. Lata Sujata (2017), A Comparative Study on Pre and Post Demonetization on E-Banking Services, This study is based on primary data collected from 100 customers. It emphasized on the govt. decisions about demonetization which would curb shadow economy cracking down the usage of illicit and counterfeit cash which is used to fund illegal activities. Post demonetization e-

banking became a necessity. With the advent of IT, banking industry has evolved prompting Indian banks to design world class customer services system and practices to meet the growing customer needs. This paper analyzed how e-banking has evolved. Were customers aware of these facilities prior to demonetization and how has this act of govt. affected public at large and steered them towards using e-banking services.

- Ms. Nita Meghani and Dr. Anjali Gokhru (2017), The impact of Demonetization on frequency of using Internet Banking Services with reference to selected cities of Gujarat. Their studies show that there is an impact seen on frequency of using different internet banking services as of result of demonetization. Most of the respondents are having good knowledge about online banking services, whereby some respondents who are not associated with any of the online banking facilities also have positive view to get associated with the same within a shorter period of time. They found that internet banking services are providing more benefits than the traditional banking.
- Sandeep Kumar Patnaik (2017), Impact of e-banking services in banking industry, the study is about analyzing the awareness of customers about e-banking services. Education plays a major role in using services and still most of the customers are physically visiting banks to deposit cash.
- Sweta Singal (2017), Demonetization and E-Banking in India, The study examines the awareness level about e-banking is more in urban areas as compared to rural areas. According to the survey conducted after Demonetization awareness and about e-banking it as significantly increased in both rural and urban areas.
- Sunitha (2017), E-Banking in India- A critical review on e-banking services, It is mentioned that E-Banking is borderless entity permitting anytime, anywhere and anyhow banking. This facilitates us with all the functions and many advantages as

compared to traditional banking services. During this step of the process, controls that could mitigate or eliminate the identified risks, as appropriate to the organization operations, are provided. The goal of the recommended controls is to reduce the level of risk to the IT system and its data to an acceptable level.

- Anmol Verma (2016), Effects of Demonetization on e-commerce and online payments, He studies the retail business models and the payment methods have all changed, thanks to growth of internet. An analysis has been carried out by that banking sector is like a central nerve to a national economy. He feels that the electronic fund transfer has been very effective and numbers of users are rapidly increasing.
- Manprit Kaur (2016), Demonetization and its impact on Indian Banking System, This study identified the decision which is implemented by the government will fetch results in the long term. Demonetization which is leading to cashless society is having better fiscal balance, lower corruption, etc.
- Dr. Uday Singh Rajput (2015), Customer Perception on E-Banking Service, This paper examines, if customers choice of banks is influenced by the quality of e-banking services provided. Satisfied sampling was used; while the survey instrument was a developed questionnaire comprising open ended and Liker's type of questions. The study revealed that education, gender and income play an important role in usage of online banking. The research corroborated the conceptual framework stating that if skills can be upgraded there will be greater will to use online banking by consumers.
- Shilpan Vyas (2012), Impact of E-Banking on Traditional Banking Services, The paper expresses that internet banking is changing the banking industry, having the major effects on banking relationships. Banking is now no longer confined to the branches were one has to approach the branch in person, to withdraw cash

or deposit a cheque or request a statement of accounts. In true Internet banking, any inquiry or transaction is processed online without any reference to the branch (anywhere banking) at any time, providing internet banking is increasingly becoming a “need to have” than a “nice to have” service.

- Rajani Lal (2012), The Indian Scenario, The purpose of this paper is to study and analyze the movement made by Indian banking industry stastical tools such as simple growth rate, averages and percentages are used. The preferred mode of banking will be e-banking because younger generation is beginning to see the benefits of e-banking. The study says that Demonetization helped banks to raise the deposits, fund cost has reduced. The study concludes by stating that Demonetization has brought major changes in the economy.

**OBJECTIVES**

- To compare and measure the usage of e-banking facilities pre demonetization and post demonetization.
- To identify the influencing factors for the adoption of e-banking facilities.
- To motivate and aware about ease of e-banking facility to less known people/customers.

**HYPOTHESES**

- Demonetization does not influence on use of e- banking system.
- Demonetization influences much for use of e-banking.
- Customers are satisfied with the e-banking services.
- Customers are less or not satisfied with the e-banking services

## RESEARCH METHODOLOGY

This study will be a demographical study which will be based on usage of e-banking services by various classes of people irrespective of occupation, age, sex, literacy, etc.

It will be based on primary data collected from the customers through survey and questionnaire. They will be analyzed and interpreted with the help of statistical devices like percentage, average, etc. among the collected data. The study will cover pre and post demonetization period to find out factors on which the bank lags and leads. For this secondary data will be collected from websites, books, journals, magazines, etc.
Chi-square test, multiple regression analysis, confirmatory, factor analysis, structural equation modeling, etc. are the main. statistical tools will be used to test of the hypothesis.
Bar chart and Pie chart will be used to show the comparison of usage of e-banking due to pre and post demonetization.

SAMPLE FOR QUESTIONNAIRE

- Are you associated with e-banking services provided by your bank?
  (a) Yes (b) No
- Preferred mode of payment since 8 Nov. 2016?
  (a) Net banking (b) Cash (c) Cheque (d) others
- Do you use cashless payments if notes come back into circulation?
  (a) For most transactions
  (b) For some transactions
  (c) For rare transactions
  (d) Never
- Do you think that it is difficult for illiterate to do their transactions by online system?

(a) Yes (b) No (c) Can`t say

- Shift to e- banking system after demonetization?
  (a) Yes (b) No (c) Only for sometime
- Demonetization changes the transaction method?
  (a) Yes (b) No (c) Only for some time
- What are the two main disadvantages of online banking for you?
  (a) Overall difficulty of using online banking system
  (b) Lack of assistance
  (c) Security concerns
  (d) Limited service
  (e) Impersonality of the service
  (f) Unreliable
  (g)No disadvantages

**LIMITATIONS OF THE STUDY**

- The research will be limited only to Bihar. So, the findings may not be relevant to whole banking industry in the country.
- The study will be based on financial aspects of banking system.

**PLAN OF THE STUDY**

The study will be divided in to following tentative chapters:-

Chapter-1
Introduction

- History and Background

Chapter-2
Demonetization and E-Banking

- Relationship between Demonetization and E-Banking.

Chapter-3
Advantages of E-Banking in Indian Economy

Chapter-4
Concept of Demonetization

- Govt. Plan and policy

Chapter-5.Effects of Demonetization on Bihar-Economy

- Bihar - scenario before and after demonetization.

Chapter-6
Volume of E-Transaction in FY 2017-18, 2018-19, 2019-20

- In India
- In Bihar
- A comparative study between India and Bihar.

Chapter-7
Impact of Demonetization on financial corruption

- Attack on Black money
- Enlarge the area of taxation
- Barrier on terrorist funding

Chapter-8
Findings and Suggestions

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